66pr ✓

MONTANA LEGISLATIVE HISTORY

Chapter 641 19 91

Bill H 868 S _____ Original bill & history ✓ C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) Mar 21 (Mar 6 ✓)	✓ C	Hearing Date(s) Apr 06	✓ C
		Apr 09	✓ C
	C		C
	C		C
Date Out Mar 26	✓ C	Apr 09	✓ C

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____ Report _____

CHAPTER NUMBER 704 EFFECTIVE DATE: 7/01/91

HB 865 INTRODUCED BY DRISCOLL, ET AL.
PROVIDE STATE-OPERATED, COMMUNITY-BASED SERVICES FOR THE DEVELOPMENTALLY DISABLED

2/14	INTRODUCED		
2/14	REFERRED TO LABOR & EMPLOYMENT RELATIONS		
2/15	FIRST READING		
2/15	FISCAL NOTE REQUESTED		
2/21	HEARING		
2/21	FISCAL NOTE RECEIVED		
2/22	FISCAL NOTE PRINTED		
	DIED IN COMMITTEE		

HB 866 INTRODUCED BY D. BROWN, ET AL.
REORGANIZE ENVIRONMENTAL FUNCTIONS OF STATE GOVERNMENT

2/14	INTRODUCED		
2/14	REFERRED TO NATURAL RESOURCES		
2/15	FIRST READING		
2/15	FISCAL NOTE REQUESTED		
2/22	FISCAL NOTE RECEIVED		
2/22	FISCAL NOTE PRINTED		
3/08	HEARING		
3/21	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/27	2ND READING PASSED	65	32
3/28	3RD READING PASSED	71	28
	TRANSMITTED TO SENATE		
3/28	FIRST READING		
3/28	REFERRED TO STATE ADMINISTRATION		
4/09	HEARING		
4/10	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/11	2ND READING CONCUR MOTION FAILED	18	30
4/11	2ND READING INDEFINITELY POSTPONED	40	8

HB 867 INTRODUCED BY GILBERT, ET AL.
GRANTING PUBLIC SERVICE COMMISSION AUTHORITY OVER ALL ROADS

2/14	INTRODUCED		
2/14	REFERRED TO HIGHWAYS & TRANSPORTATION		
2/15	FIRST READING		
2/15	FISCAL NOTE REQUESTED		
2/19	HEARING		
2/20	FISCAL NOTE PRINTED		
2/20	FISCAL NOTE RECEIVED		
2/20	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/25	2ND READING PASSED	80	18
2/26	3RD READING PASSED	79	20
	TRANSMITTED TO SENATE		
2/26	FIRST READING		
2/26	REFERRED TO HIGHWAYS & TRANSPORTATION		
	DIED IN COMMITTEE		

HB 868 INTRODUCED BY STEPPLER
GENERALLY REVISE DISTRIBUTION OF COAL GROSS PROCEEDS TAXES

2/14	INTRODUCED
2/14	REFERRED TO TAXATION
2/15	FIRST READING
2/15	FISCAL NOTE REQUESTED

2/23	FISCAL NOTE RECEIVED		
2/23	FISCAL NOTE PRINTED		
3/06	HEARING		
3/22	COMMITTEE REPORT—BILL PASSED AS AMENDED		
4/03	2ND READING PASSED AS AMENDED	90	8
4/03	ON MOTION RULES SUSPENDED TO ALLOW 3RD READING THIS DAY		
4/03	3RD READING PASSED	89	9
	TRANSMITTED TO SENATE		
4/04	FIRST READING		
4/04	REFERRED TO TAXATION		
4/06	HEARING		
4/10	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/10	REVISED FISCAL NOTE REQUESTED		
4/13	REVISED FISCAL NOTE RECEIVED		
4/15	REVISED FISCAL NOTE PRINTED		
4/15	2ND READING CONCURRED	48	0
4/16	3RD READING CONCURRED	47	2
	RETURNED TO HOUSE WITH AMENDMENTS		
4/18	2ND READING AMENDMENTS CONCURRED	89	9
4/19	3RD READING AMENDMENTS CONCURRED	92	6
4/23	SIGNED BY SPEAKER		
4/23	SIGNED BY PRESIDENT		
4/23	TRANSMITTED TO GOVERNOR		
4/25	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 641	EFFECTIVE DATE: 7/01/91	

HB 883 INTRODUCED BY SIMPKINS, ET AL.
CLASSIFY SOD FARMS AND NURSERIES AS AGRICULTURAL LAND FOR PROPERTY TAXATION

2/14	INTRODUCED		
2/14	REFERRED TO TAXATION		
2/15	FIRST READING		
2/15	FISCAL NOTE REQUESTED		
2/18	FISCAL NOTE RECEIVED		
2/20	FISCAL NOTE PRINTED		
3/06	HEARING		
3/28	COMMITTEE REPORT—BILL PASSED AS AMENDED		
4/03	2ND READING PASSED	88	10
4/03	ON MOTION RULES SUSPENDED TO ALLOW 3RD READING THIS DAY		
4/03	3RD READING PASSED	83	16
	TRANSMITTED TO SENATE		
4/04	FIRST READING		
4/04	REFERRED TO TAXATION		
4/09	HEARING		
4/13	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/16	2ND READING CONCURRED	49	0
4/17	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/18	2ND READING AMENDMENTS CONCURRED	93	4
4/19	3RD READING AMENDMENTS CONCURRED	90	8
4/23	SIGNED BY SPEAKER		
4/23	SIGNED BY PRESIDENT		
4/23	TRANSMITTED TO GOVERNOR		
4/29	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 705	EFFECTIVE DATE: 4/29/91	

HB 870 INTRODUCED BY R. JOHNSON
REVISE LICENSING FOR ACUPUNCTURE AND PODIATRY; REVISE COMPLAINTS REGARDING DOCTORS

HOUSE BILL NO. 868

INTRODUCED BY STEPPLER

IN THE HOUSE

FEBRUARY 14, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
FEBRUARY 15, 1991	FIRST READING.
MARCH 22, 1991	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 23, 1991	PRINTING REPORT.
APRIL 3, 1991	SECOND READING, DO PASS AS AMENDED.
	ON MOTION, RULES SUSPENDED. BILL PLACED ON THIRD READING THIS DAY.
	THIRD READING, PASSED. AYES, 89; NOES, 9.
APRIL 4, 1991	ENGROSSING REPORT.
	TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 4, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 10, 1991	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 15, 1991	SECOND READING, CONCURRED IN.
APRIL 16, 1991	THIRD READING, CONCURRED IN. AYES, 47; NOES, 2.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 18, 1991	RECEIVED FROM SENATE.
	SECOND READING, AMENDMENTS

CONCURRED IN.

APRIL 19, 1991

THIRD READING, AMENDMENTS CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL NO. 868

INTRODUCED BY [illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE DISTRIBUTION OF COAL GROSS PROCEEDS; REQUIRING THE DEPARTMENT OF REVENUE TO CALCULATE UNIT VALUES FOR COAL PRODUCTION BASED ON 1988 PRODUCTION; EXCLUDING COAL MINES THAT BEGAN PRODUCTION AFTER DECEMBER 31, 1988, FROM THE UNIT VALUE CALCULATION; REQUIRING COUNTY TREASURERS TO DISTRIBUTE COAL GROSS PROCEEDS BASED ON UNIT VALUE; PROVIDING A SEPARATE DISTRIBUTION OF COAL GROSS PROCEEDS TAXES FOR COAL MINES THAT BEGAN PRODUCTION AFTER DECEMBER 31, 1988; REQUIRING COUNTY TREASURERS TO SEND EXCESS REVENUE TO THE DEPARTMENT OF REVENUE; REQUIRING THE DEPARTMENT OF REVENUE TO REDISTRIBUTE EXCESS REVENUE TO THE COUNTIES; PROVIDING A STATUTORY APPROPRIATION; AMENDING SECTIONS 15-23-703 AND 17-7-502; AND PROVIDING AN EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Department to calculate unit value.** (1) Except as provided in subsection (2), for the purposes of the distribution of coal gross proceeds taxes collected under this part, the department shall determine the unit value of coal in each taxing unit. The unit value for coal for each taxing unit is the quotient obtained by dividing the gross proceeds taxes calculated on coal produced in that taxing unit in calendar year 1988 by the number of tons of coal extracted, treated, and sold in that taxing unit during 1988.

(2) The unit value calculation does not apply to coal mines that began production after December 31, 1988.

Section 2. Section 15-23-703, MCA, is amended to read:

"15-23-703. Taxation of gross proceeds -- taxable value for bonding and guaranteed tax base aid to schools. (1) The county assessor shall compute from the reported gross proceeds from coal a tax roll that he shall transmit to the county treasurer on or before September 15 each year. The county assessor may not levy or assess any mills against the reported gross proceeds of coal but shall levy a tax of 5% against the value of the reported gross proceeds as provided in 15-23-701(1)(d). The county treasurer shall proceed to give full notice to each coal producer of the taxes due and to collect the taxes as provided in 15-16-101.

(2) For bonding, county classification, and all nontax purposes, the taxable value of the gross proceeds of coal is 45% of the contract sales price as defined in 15-35-102(5).

(3) The taxable value of gross proceeds for the purpose of computing guaranteed tax base aid for schools is the amount of tax received by a district in the previous year

INTRODUCED BILL HB 868

divided by the number of mills levied by the district in the previous year, multiplied by 1,000. This amount must be added to the district, county, and statewide taxable value when computing guaranteed tax base aid under 20-9-368.

(4) Except as provided in subsection (7), the county treasurer shall calculate and distribute to the state, county, and eligible school districts in the county the amount of the coal gross proceeds tax, determined by multiplying the unit value calculated in [section 1] times the tons of coal extracted, treated, and sold on which the coal gross proceeds tax was owed during the preceding calendar year.

~~(4)~~(5) ~~The~~ Except as provided in subsections (6) and (7), the county treasurer shall credit ~~all--taxes--collected~~ the amount determined under ~~this part~~ subsection (4) and the amounts received under [section 3]:

(a) to the state and to the counties that levied mills against production in the relative proportions required by the levies for state and county purposes in the same manner as property taxes were distributed in ~~the year--1989~~ fiscal year 1990 in the taxing jurisdiction; and

(b) to school districts in the county that either levied mills against production or used nontax revenue, such as Public Law 81-874 money, in lieu of levying mills against production, in the same manner that property taxes collected

or property taxes that would have been collected would have been distributed in ~~1989~~ the 1990 school fiscal year in the school district.

(6) (a) If the total tax liability in a taxing jurisdiction exceeds the amount determined in subsection (4), the county treasurer shall, immediately following the distribution from taxes paid on May 31 of each year, send the excess revenue to the department for redistribution as provided in [section 3].

(b) If the total tax liability in a taxing jurisdiction is less than the amount determined in subsection (4), the taxing jurisdiction is entitled to a redistribution as provided by [section 3].

(7) The county treasurer shall credit all taxes collected under this part from coal mines that began production after December 31, 1988:

(a) to the state and to the counties in the relative proportions required by the levies for state and county purposes in the same manner as property taxes were distributed in the previous fiscal year in the taxing jurisdiction, except that:

(i) no distribution may be made to the state equalization aid levy provided by 20-9-360; and

(ii) the mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in

computing the distribution to county elementary and high school equalization; and

(b) to school districts in the county in the same manner that property taxes were distributed in the previous school fiscal year in the school district."

NEW SECTION. **Section 3. Department to determine redistribution of coal gross proceeds to taxing jurisdictions.** (1) The excess revenue received by the department from county treasurers as provided in 15-23-703(6)(a) is statutorily appropriated, as provided in 17-7-502, for allocation to the county for redistribution as provided in subsections (2) and (3).

(2) Each year the department shall determine the amount of tax collected under this part from within each taxing unit in the county. If the amount collected is less than the amount determined under 15-23-703(4), the department shall, on or before June 30 of each year, send the amount of the difference to the county treasurer for redistribution as provided in 15-23-703(5).

(3) Any amount by which the total amount received by the department for redistribution is less than or more than the redistribution amount determined in subsection (2), the department shall calculate and redistribute the shortage or excess amount in the following manner:

(a) If a county does not receive the entire amount to

which it is entitled under subsection (2), the shortage amount must be divided by the total distribution for the county determined under 15-23-703(4) to obtain a shortage percentage. The shortage percentage must be multiplied by the amount that is available for redistribution to each taxing unit, and this amount must be redistributed to each respective taxing unit.

(b) If there are excess amounts after the redistribution provided for in subsection (2), the excess amounts must be redistributed to the county of origin in proportion to the amount the county contributed for redistribution.

(4) The county treasurer shall distribute the money received under subsections (2) and (3) as provided in 15-23-703(5).

Section 4. Section 17-7-502, MCA, is amended to read:

"**17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be

listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111; [section 3]; 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 19-8-504; 19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406; 20-8-111; 20-9-361; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504; 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205; 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103; 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613; 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws of 1985.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state

treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments. (In subsection (3), pursuant to sec. 10, Ch. 664, L. 1987, the inclusion of 39-71-2504 terminates June 30, 1991.)"

NEW SECTION. **Section 5. Codification instruction.** [Sections 1 and 3] are intended to be codified as an integral part of Title 15, chapter 23, part 7, and the provisions of Title 15, chapter 23, part 7, apply to [sections 1 and 3].

NEW SECTION. **Section 6. Effective date -- applicability.** [This act] is effective July 1, 1991, and applies retroactively, within the meaning of 1-2-109, to the distribution and redistribution of coal gross proceeds taxes levied against coal produced after December 31, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for HB0868, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the distribution of coal gross proceeds; requiring the Department of Revenue to calculate unit values for coal production based on 1988 production; excluding coal mines that began production after December 31, 1988, from the unit value calculation; requiring county treasurers to distribute coal gross proceeds based on unit value; providing a separate distribution of coal gross proceeds taxes for coal mines that began production after December 31, 1988; requiring county treasurers to send excess revenue to the Department of Revenue; requiring the Department of Revenue to redistribute excess revenue to the counties; providing a statutory appropriation; and providing an effective date and a retroactive applicability date.

Assumptions:

1. Implementation of the proposal would require the state to pay the coal-producing counties the difference between the current year's coal gross proceeds and the 1988 total unit value of that coal. This would result in a payment from the state's general fund of $44,898 in FY92 and $375,292 in FY93.
2. Implementation of the proposal will require reprogramming (an additional 0.50 FTE in FY92) of the existing revenue/control system to segregate coal gross proceeds receipts.

FISCAL IMPACT:
Department of Revenue:

	FY '92			FY '93		
Expenditures:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
F.T.E.	0	0.50	0.50	0	0	0
Personal Services	0	5,200	5,200	0	0	0
Operations	0	1,000	1,000	0	0	0
Transfers	0	44,898	44,898	0	375,292	375,292
Total	0	51,098	51,098	0	375,292	375,292
Funding:						
General Fund	0	51,098	51,098	0	375,292	375,292
Impact to General			(51,098)			(375,292)

2-22-91

ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

DON STEPPLER, PRIMARY SPONSOR DATE

Fiscal Note for HB0868, as introduced

HR 868

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal would redistribute coal gross proceeds receipts among counties based on unit values calculated on 1988 production and tax revenue. This redistribution may result in the state owing money to the counties. The state would, if the proposal is adopted, owe the coal-producing counties $44,898 in FY92 and $375,292 in FY93. Had the proposal been in effect in calendar year 1989, the state would have owed the coal-producing counties $374,470 in FY91.

TECHNICAL NOTES:

1. The language of the proposal does not allow for the distribution of the shortage described in section 3, part 3. (page 5, line 20)

2. The language of the proposal is inconsistent in its reference to political subdivisions of the state, referring to "counties" on the one hand and "taxing units" on the other.

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0868, third reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the distribution of coal gross proceeds; requiring the Department of Revenue to calculate unit values for coal production based on 1988 production; excluding coal mines that began production after December 31, 1988, from the unit value calculation; requiring county treasurers to distribute coal gross proceeds based on unit value; providing a separate distribution of coal gross proceeds taxes for coal mines that began production after December 31, 1988; requiring county treasurers to send excess revenue to the Department of Revenue; requiring the Department of Revenue to redistribute excess revenue to the counties; providing a statutory appropriation; and providing an effective date and a retroactive applicability date.

ASSUMPTIONS:

Department of Revenue

1. Implementation of this proposal would require reprogramming of the existing revenue/control system to separately identify coal gross proceeds receipts. This would require an additional 0.14 FTE in FY92.

	FY '92			FY '93		
Expenditures:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	0.00	0.14	0.14	0.00	0.00	0.00
Personal Services	0	5,200	5,200	0	0	0
Operating Expenses	0	1,000	1,000	0	0	0
Total	0	6,200	6,200	0	0	0
Funding:						
General Fund			6,200			
General Fund Impact (decrease)			(6,200)			

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal would redistribute coal gross proceeds receipts among counties from mines that began production before January 1, 1989, based on unit values calculated using 1988 production and associated gross proceeds tax revenue. For example, if the proposed legislation had been operational for calendar year 1989 production, then Big Horn, Richland, and Musselshell counties would have received an additional $1,037,668, $151,963 and $8,674 respectively. These funds would have come from Rosebud County.

Rod Sundsted by SB 4/13/91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Don Steppler 4/15/91
DON STEPPLER, PRIMARY SPONSOR DATE

Fiscal Note for HB0868, third reading HB868-#2

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0868, third reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the distribution of coal gross proceeds; requiring the Department of Revenue to calculate unit values for coal production based on 1988 production; excluding coal mines that began production after December 31, 1988, from the unit value calculation; requiring county treasurers to distribute coal gross proceeds based on unit value; providing a separate distribution of coal gross proceeds taxes for coal mines that began production after December 31, 1988; requiring county treasurers to send excess revenue to the Department of Revenue; requiring the Department of Revenue to redistribute excess revenue to the counties; providing a statutory appropriation; and providing an effective date and a retroactive applicability date.

ASSUMPTIONS:

Department of Revenue

1. Implementation of this proposal would require reprogramming of the existing revenue/control system to separately identify coal gross proceeds receipts. This would require an additional 0.14 FTE in FY92.

	FY '92			FY '93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
FTE	0.00	0.14	0.14	0.00	0.00	0.00
Personal Services	0	5,200	5,200	0	0	0
Operating Expenses	0	1,000	1,000	0	0	0
Total	0	6,200	6,200	0	0	0
Funding:						
General Fund			6,200			
General Fund Impact (decrease)			(6,200)			

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal would redistribute coal gross proceeds receipts among counties from mines that began production before January 1, 1989, based on unit values calculated using 1988 production and associated gross proceeds tax revenue. For example, if the proposed legislation had been operational for calendar year 1989 production, then Big Horn, Richland, and Musselshell counties would have received an additional $1,037,668, $151,963 and $8,674 respectively. These funds would have come from Rosebud County.

Rod Sundsted by SB 4/13/91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Don Steppler 4/15/91
DON STEPPLER, PRIMARY SPONSOR DATE

Fiscal Note for HB0868, third reading HB868-#2

CHAIRMAN--DAN HARRINGTON
NORMAL SCHEDULE==> SITE: ROOM 437 DAYS: M,T,W,T,F TIME: 8:00 A.M.

SECRETARY-MONA SPAULDING

--BILL NO---	REFER DATE---	HEARING DATE---	CONSIDERATION DATES----------	COMMITTEE ACTION----------	REREFERRED TO COMM----	DATE OUT-
HB0856	2/14	3/15		PASS AS AMENDED		3/28
FOSTER, MIKE			REVISE TELEVISION DISTRICT EXEMPTIONS			
HB0859	2/14	3/15		TABLED ON 03/27		
DOWELL, TIM			TAX CREDIT FOR TEACHERS DONATING COMPUTERS TO CLASSROOMS USE			
HB0868	2/14	3/06		PASS AS AMENDED		3/22
STEPPLER, DON			GENERALLY REVISE DISTRIBUTION OF COAL GROSS PROCEEDS TAXES			
HB0869	2/14	3/06		PASS AS AMENDED		3/28
SIMPKINS, RICHARD			CLASSIFY SOD FARMS & NURSERIES AS AGRICULTURAL LAND FOR PROPERTY TAXATION			
HB0874	2/15			TABLED ON 03/12		
CONNELLY, MARY ELLEN			HALF FEE ON MOTOR BOATS WITH MOTOR OF 20 H.P. OR LESS			
HB0877	2/15	3/13		DO PASS		3/14
REAM, BOB			EXTEND ECONOMIC DEVELOPMENT LEVY			
HB0878	2/15	3/13		TABLED ON 03/13		
O'KEEFE, MARK			ALLOW CANCELLATION OF STATE LEASE FOR DELINQUENT TAX PAYMENTS			
HB0883	2/15	3/13		DO PASS		3/13
DEBRUYCKER, ROGER			REVISE TAX LIEN ON REAL PROPERTY FOR TAXES OWED ON PERSONAL PROPERTY			
HB0884	2/15	3/15				
RICE, SHEILA			PROPERTY TAX CREDIT FOR TAX INCREASE FROM SALES ASSESSMENT RATIO AJUSTMENT			
HB0885	2/15	3/15		TABLED ON 03/27		
NISBET, JERRY			REPEAL SALES ASSESSMENT RATIO LAW			
HB0886	2/15	3/15		TABLED ON 03/26		
LEE, THOMAS			AMEND HOMEOWNER LOW INCOME EXEMPTION FOR AGED AND HEADS OF HOUSEHOLDS			

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 6, 1991, at 9:00 A.M.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Barry "Spook" Stang (D)
Dave Wanzenried (D)

Members Absent: Rep. Fagg (R)

Members Excused: Rep. Thomas (R)
Rep. Schye (D)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON HB 721

Presentation and Opening Statement by Sponsor:

REP. BECKER, House District 91, Billings, stated HB 721 is an act to provide funding for autopsies through the imposition of a tax on insurance premiums of policies that contain a death benefit on policies or riders that pay as the result of a death caused by

things up to define agriculture as anything literally grown for commercial purposes. Who's to say that everyones garden doesn't become agriculture. He has several people in his district who have one and two acre crops. **Mr. Adams** said if it is less than a 20 acre parcel, it will still have to meet the $1,500 income threshold in order to receive the agriculture classification. It does open up other areas that need to be addressed such as with nurseries. There are many greenhouses that are raising these type of crops. They all may qualify under this statute.

REP. O'KEEFE stated that **Jane Barry** testified that the average fulltime wage was $4.74 per hour and asked if the reclassification from nonagricultural to agricultural would mean that the minimum wage would go down. **Ms. Barry** said that the minimum wage would not change. **CHAIR HARRINGTON** said it would be lower if the people lived there and had board and room, but new people coming in would have to be paid under the same minimum wage.

REP. REAM asked **Brad Brown** if he understood his testimony correctly, he stated that he bought 70 acres that was agricultural and now a portion is in horticulture. **Mr. Brown** said that he is farming on a total of 70 acres, a combination of leased and owned. **REP. REAM** asked if it were all in horticulture at present and if the land shifted out of agricultural. **Mr. Brown** said portions of it are leased ground. Because of the inconsistencies, he doesn't know if the tax assessors have caught up with those as being horticulture crops. On his and adjacent properties that are leased, the assessor has caught up with him and said that he is a rural commercial land and building.

Closing by Sponsor:

REP. SIMPKINS said Montana needs HB 869 to clarify where these types of businesses and people stand. It was brought out that these types of businesses are a growing business in Montana, and has the possibility of expanding. This is what we want. He answered **REP. RANEY'S** concerns by saying that there is no change to the existing law concerning the monetary amount and the acreage. We do want to be competitive with the surrounding states; and we do want the laws to treat our people in the state basically the same way that they will be treated on their federal income tax.

HEARING ON HB 868

Presentation and Opening Statement by Sponsor:

REP. STEPPLER, House District 21, Brockton, stated HB 868 revises the redistribution of coal gross proceeds based on unit value and calculates the unity values for production based on 1988 production. The change from the gross proceeds tax to a flat tax occurred during the special session in 1989. We were told that the changeover would keep the revenue neutral. As a result of

the changeover Richland County and two other counties have lost money. Richland County lost $111,737 and $58,744 of it was lost to the Savage school system.

Proponents' Testimony:

John McNeil, Savage School Superintendent, provided written testimony. **EXHIBIT 5**

Madalyn Quinlan, OPI, stated she was a no-ponent to HB 868. She spoke of some technical concerns of the bill. She stated that we are currently collecting an equivalent of 40 mills off the coal gross proceeds. She addressed the distributing the revenue across the mills. HB 868 talks about distributing across fiscal 1990 mill levies. She introduced an amendment that would distribute the revenue across the preceding years levy. As we move into the future, this would make a one year limit on which mills are distributed. **EXHIBIT 6**

The reason why the mills in the bill are distributed across fiscal 1990 levies is because they were concerned at the county level that if the coal gross proceeds tax does not create additional funds from what the coal producers were paying in 1989, the counties should be able to keep all of the money. They shouldn't have to give any money to the state under the 40 mill levy. If the state wouldn't pick up the 40 mills, we should at least move to a situation that is based on the preceding years levies.

Doug Pust, Savage School Board, stated that when he came on the school board he was very concerned with the loss of revenue. The cash reserves had to be taken down as much as they could. This year they have sent written notices to their industrial arts and home economics departments because of this. He is concerned with the present and the years to come in that it will be a continual battle.

Mark Tombre, Savage School Board, stated the board was under the assumption that when HB 28 was passed that it would insure a replacement of revenues by means of a coal flat tax. This did not happen. As a result, the Savage School District has a $58,000 shortfall this year. It will take 42 mills to the local taxpayers to replace all the revenues that were lost to something that was originally meant to be revenue neutral.

HB 868 doesn't generate any new taxes, it just corrects the revenue distribution problem to the coal producing schools. If this bill is not adopted, Savage school will lose its home economics and industrial arts teacher. HB 868 will be fair and equitable to the coal producing counties.

Gloria Paladichuk, Richland County Commissioner, provided written testimony. **EXHIBIT 7**

Gordon Morris, Montana Association of Counties, stated he wanted to go on record as a no-ponent and take a neutral stand as far the Association was concerned. He commented on a statement made by **Madalyn Quinlan.** She indicated that the counties are distributing back the 40 mill school equalization levy to the state. This is not the case. The 40 mills were expressly excluded from the distribution of the coal 5% flat tax proceeds. The laws were enacted in the special session and can be seen by the strickened language on Page 3. This was deliberately done by the Legislature to avoid that additional 40 mills that was being put on the property tax roles for school funding purposes.

Dwight Thiessen, Richland County Commissioner, went on record in support of HB 868. He stated that this loss of revenue had a very big impact on the small school and would result in program cuts.

SEN. TVEIT supported HB 868. It would provide fairness in the school districts across the state.

Rodney Svee, Superintendent of Schools, Hardin, stated the loss of revenue and the change to the flat tax has had a significant impact on the school district. It affected all of them and they had no opportunity to address their shortfalls.

REP. GILBERT and **REP. M. HANSON** went on record in support or HB 868.

Opponents' Testimony: None

Questions From Committee Members:

CHAIR HARRINGTON said the statement has been made that the repercussions of the flat tax would be becoming more and more prevalent. It was also stated that the 5% is not beneficial to this area and asked **REP. STEPPLER** how the residential taxpayers are feeling about the fact that the flat tax has saved the oil and gas companies while their taxes have increased. **REP. STEPPLER** said most of the input isn't from the changeover from the net and gross proceeds to the flat tax. Most of it has to do with the shortfalls that occurred when the redistribution was not put in place. The increases were all over the his county, and no one was happy with the increases. There are amendments that have been requested by the DOR. **EXHIBIT 8**

REP. SCHYE asked **Denis Adams, DOR,** what the amendments do to the fiscal note. **Mr. Adams** said the amendments eliminate what we show as a transfer where the state may be on the hook to pick up any shortfalls. They are just a redistribution of what is collected and the state has no obligation that we make up a shortfall. **REP. STEPPLER** said if there is a loss of production across the board, the state will not make sure everyone is up to

what the standards are. Everyone will share in that loss.

REP. STANG asked **REP. STEPPLER** why this wasn't brought before the Revenue Oversight Committee for review. **REP. STEPPLER** said they tried to solve this problem before the last special session. At the time we didn't have time to consult all the other counties and school districts that had been affected. They should have entered into that process, but at the time they were not looking at the Revenue Oversight Committee.

Closing by Sponsor:

REP. STEPPLER stated that there has been alot said about fairness. HB 868 is a prime example of the fairness issue. During the 1989 special session, they were under the impression that money from the flat tax on coal would be neutral. When the changeover from gross proceeds to flat tax occurred, they were wrong. Using a unit value as a vehicle for the redistribution of revenue was put in place for the oil and gas flat tax, but not for coal. Because of this oversight, several counties lost money. He knows that the committee is aware of his districts problem and urged the committee support.

ADJOURNMENT

Adjournment: 11:00 a.m.

Dan Harrington

DAN HARRINGTON, Chair

Lois O'Connor

LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/6/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG		✓	
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓	X	
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE E/AB			✓
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS E/AB.			✓
REP. DAVE WANZENRIED	✓		

BOARD OF EDUCATION
CLIFFORD BERGSTEDT, Chairman
HARLAN CONRADSEN, Vice-Chairman
GARY DARDIS, Trustee
DOUG PUST, Trustee
MARK TOMBRE, Trustee

SAVAGE PUBLIC SCHOOLS

Elementary District No. 7 & H.S. District No. 2
Richland County
Savage, Montana 59262
776-2317

JOHN J. McNEIL
Superintendent
DARREL STOLL
H.S. Principal
JOHN PFEIFER
El. Principal
MILDRED SHIELDS
Clerk

EXHIBIT 5
DATE 3-6-91
HB 868

The Honorable Bob Ream
House of Representatives
State Capitol
Helena, MT 59620

Dear Representative Ream,

We are requesting your assistance in correcting a problem we feel exists in the Coal Flat Tax. Representative Steppler is sponsoring a bill to re-distribute revenues from the Coal Flat Tax based on a Unit Value system. At present there exists no re-distribution of revenue from the Coal Flat Tax, a key ingredient in the conversion from Gross Proceeds Tax to a Flat Tax.

The change from Gross Proceeds Tax to Flat Tax occurred during the Special Session Summer 89. Taxes on oil-gas, and coal were to be based on a percent times production rather than local and state mill levies levied against gross proceeds. The amount of the percent was determined by the revenue needed to replace the gross proceeds revenue requirements of the local taxing jurisdiction the year prior to the conversion. The law as added to H.B. 28 used a unit value for oil and gas producers which redistributed revenue to local taxing jurisdictions to replace the gross proceeds revenue. It was our understanding the same was to occur with coal, but the coal portion of the law contained no unit value system and stopped redistribution with collection of the Flat Tax at each county treasurers office.

The results of the Flat Tax collected at each county treasurers office during 90-91 were shortfalls in Richland (-$111,737), BigHorn (-$511,155), and Musselshell (-$7502), while Rosebud County (+$928,267) received a windfall above the amount needed to replace the gross proceeds revenue. The effects on Savage School District tax payers was an additional 42.13 mills to replace the $58,744.11 we lost in gross proceeds revenue.

Representative Steppler's bill would establish a Unit Value system similar to that of gas and oil with one exception. Once gross proceed replacement levels were reached in each of the coal producing counties, the county generating the redistributed revenue would have any remaining amount returned to the county for redistribution within that county. Had the bill been in place this year all four counties would have received 100% of their gross proceeds replacement revenue. Rosebud County would have received an additional $297,875. over 100% gross proceeds replacement to redistribute to local tax jurisdictions in their county.

We hope you can see the fairness of Unit Value redistribution being applied to the Coal Flat Tax. If you have any questions or concerns with this proposed legislation please contact Representative Steppler or John McNeil Supt. of Savage Schools.

Thank you for your time in considering this issue. We have also included three documents "The Effects of the Coal Flat Tax on Savage Schools", " A Historical Perspective of the Coal Flat Tax by Savage School", and "Spreadsheet from Special Session 90" for your further information.

Yours Truly,

Ex. 5
3-6-91
HB 868

BOARD OF EDUCATION
CLIFFORD BERGSTEDT, Chairman
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GARY DARDIS, Trustee
DOUG PUST, Trustee
MARK TOMBRE, Trustee

SAVAGE PUBLIC SCHOOLS
Elementary District No. 7 & H.S. District No. 2
Richland County
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JOHN J. McNEIL
Superintendent
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JOHN PFEIFER
El. Principal
MILDRED SHIELS
Clerk

SAVAGE SCHOOL FLAT TAX ON COAL

DISTRICT #2 SAVAGE HIGH SCHOOL

	89-90	90-91
TAXABLE VALUE OF THE DISTRICT	$2.744,719.	$1,600,154.

FUNDS	COAL REVENUE 89-90	COAL REVENUE 90-91	LOSS	MILLS TO REPLACE
GENERAL	39,952.00	23,350.00	16,602.00	10.38 MILLS
TRANSPORTATION	4,116.01	81.80	4,034.21	2.52 MILLS
DEBT SERVICE	7,276.00	144.60	7,131.40	4.46 MILLS
TOTALS			27,767.61	17.36 MILLS

DISTRICT #7J SAVAGE ELEMENTARY SCHOOL

	89-90	90-91
TAXABLE VALUE OF THE DISTRICT	$2,324,346.	$1,250,390.

FUNDS	COAL REVENUE 89-90	COAL REVENUE 90-91	LOSS	MILLS TO REPLACE
GENERAL	48,424.24	29,850.56	18,573.68	14.85 MILLS
TRANSPORTATION	9,694.44	202.20	9,492.24	7.59 MILLS
DEBT SERVICE	2,972.58	62.00	2,910.58	2.33 MILLS
TOTALS			30,976.50	24.77 MILLS

SAVAGE SCHOOLS LOST A COMBINED TOTAL OF $58,744.11 WITH A REPLACEMENT COST OF 42.13 MILLS FROM THE 89-90 FISCAL YR. TO THE 90-91 FISCAL YR..

Dept of Revenue "Special Session 90"

EX. 3
3 6 91
HB 868

Comparison of Allocation of Coal Flat Tax Revenues
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

BEST COPY AVAILABLE

Big Horn County -- Squirrel Crk Elem & Lodge Grass HS
(Decker and Spring Crk Mines)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	407,416	389,205	407,416	(18,211)	18,211
County	41.79	2,837,651	2,710,812	2,837,651	(126,839)	126,839
Schools:		0	0	0	0	0
Countywide HS	21.36	1,450,400	1,386,569	1,450,400	(64,831)	64,831
District HS	11.41	774,769	740,138	774,769	(34,631)	34,631
Countywide Elem	35.48	2,409,185	2,301,498	2,409,185	(107,687)	107,687
District Elem	0.27	18,334	17,514	18,334	(819)	819
Special Districts	0	0	0	0	0	0
Total	116.31	7,897,755	7,544,737	7,897,755	(353,018)	353,018

Same

Big Horn County -- Hardin Elem & HS
(Westmoreland Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	19,587	13,623	19,587	(5,945)	5,945
County	41.79	136,287	94,881	136,287	(41,406)	41,406
Schools:					0	0
Countywide HS	21.36	69,660	48,496	69,660	(21,164)	21,164
District HS	32.79	106,936	74,447	106,936	(32,489)	32,489
Countywide Elem	35.48	115,709	80,555	115,709	(35,154)	35,154
District Elem	22.15	72,334	50,358	72,334	(21,976)	21,976
Special Districts	0	0	0	0	0	0
Total	158.6	520,493	362,360	520,493	(158,133)	158,133

Same

Big Horn County -- Totals

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	426,983	402,827	426,983	(24,156)	24,156
County	41.79	2,973,938	2,805,693	2,973,938	(168,245)	168,245
Schools:					0	0
Countywide HS	21.36	1,520,060	1,434,066	1,520,060	(85,994)	85,994
District HS	Avg.	881,705	814,585	881,705	(67,120)	67,120
Countywide Elem	35.48	2,524,894	2,382,053	2,524,894	(142,841)	142,841
District Elem	Avg.	90,668	67,872	90,668	(22,796)	22,796
Special Districts	0	0	0	0	0	0
Total	104.63	8,418,248	7,907,097	8,418,248	(511,151)	511,151

Same

EXHIBIT 5
DATE 3-6-91
HB 868

BEST COPY AVAILABLE

Comparison of Allocation of Coal Flat Tax Revenues
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

Musselshell County -- Roundup Elem & HS
(PM Coal Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	416	211	416	(205)	205
County	95.36	6,620	3,356	6,620	(3,264)	3,264
Schools:					0	0
County-wide HS	30.03	2,084	1,057	2,084	(1,028)	1,028
District HS	23.47	1,629	826	1,629	(803)	803
County-wide Elem	39.09	2,713	1,375	2,713	(1,338)	1,338
District Elem	25.22	1,751	887	1,751	(863)	863
Special Districts	0	0	0	0	0	0
Total	219.19	15,214	7,712	15,214	(7,502)	7,502

Same

Richland County -- Savage Elem & HS
(Knife River Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	5,678	2,753	5,678	(2,925)	2,925
County	39.66	37,531	18,195	37,531	(19,336)	19,336
Schools:					0	0
County-wide HS	25.18	23,828	11,552	23,828	(12,276)	12,276
District HS	53.21	50,353	24,411	50,353	(25,942)	25,942
County-wide Elem	38.39	36,319	17,608	36,319	(18,712)	18,712
District Elem	66.76	63,175	30,627	63,175	(32,548)	32,548
Special Districts	0	0	0	0	0	0
Total	229.19	216,884	105,145	216,884	(111,739)	111,739

Same

Rosebud County -- Colstrip Elem & HS
(Western Energy and Peabody Mines)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	304,869	365,121	304,869	60,252	(60,252)
County	7.23	367,367	439,970	367,367	72,603	(72,603)
Schools:						
County-wide HS	18.94	962,370	1,152,564	962,370	190,194	(190,194)
District HS	9.01	457,812	548,289	457,812	90,478	(90,478)
County-wide Elem	32.05	1,628,509	1,950,353	1,628,509	321,843	(321,843)
District Elem	14.87	755,567	904,891	755,567	149,323	(149,323)
Spec. (94 to Peabody)	6	241,023	284,598	241,023	43,574	(43,574)
Total	94.10	4,717,518	5,645,785	4,717,518	928,267	(928,267)

Same + +297,875. after redistribution

24

Ex. 5
3-6-91
HB 868

Comparison of Allocation of Coal Flat Tax Revenue
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

Comparison of Local Government Coal Tax Amounts
Coal Gross Proceeds v. 5% Flat Tax
(1989 Production)

County	Elem. SD	Company	Gross Proceeds Total Tax	Total Flat Tax	Difference (Flat-GP)
Big Horn					
	Squirrel Ck	Decker	6,822,893	6,517,920	(304,973)
		Spring Ck.	1,074,862	1,026,817	(48,045)
		Subtotal	7,897,755	7,544,737	(353,018)
	Hardin	Westmoreland	520,493	362,360	(158,133)
Musselshell					
	Roundup	PM Coal	15,214	7,712	(7,502)
Richland					
	Savage	Knife River	216,884	105,145	(111,739)
Roseburd					
	Colstrip				
		Peabody	837,470	1,182,344	344,874
		Western E	3,780,048	4,463,441	683,393
		Subtotal	4,717,518	5,645,785	928,267
Grand Total			13,367,864	13,665,739	297,875

(297,875) Amount Returned to Roseburd County after re-distribution.
∴ Roseburd County would have 100% replacement of Gross proceeds + $ 297,875.

A HISTORICAL PERSPECTIVE OF THE COAL FLAT TAX BY SAVAGE SCHOOL

Ex. 5
3-6-91
HB 861

SUMMER 89

GROSS PROCEEDS TO FLAT TAX AS WE THOUGHT WE KNEW IT COMING INTO HB28 DURING THE 89 SPECIAL SESSION

A. Oil & gas, and coal would be taxed at a flat rate applied to their production.

B. The change from Gross Proceeds Tax to Flat Tax would help the industries as their rate of taxes would no longer vary depending on the needs of local taxing jurisdictions and state levy requirements.

C. The industries would be better able to predict their cost of operating because the tax rate would be the same at any location within the state.

D. The rates for the Flat Tax were established as close as possible to insure the replacement of revenues received by the local taxing jurisdiction from the old Gross Proceeds Tax the year prior to the change.

E. Revenues received by the local taxing jurisdiction would be based on production and revenues received under Gross Proceeds i.e. increases in production would result in corresponding increases in revenue for local taxing jurisdictions, decreases in production would result in corresponding decreases in revenue for the local taxing jurisdiction.

SPRING 90

COAL FLAT TAX REVENUES PROJECTION BY THE OFFICE OF PUBLIC INSTRUCTION DO NOT MATCH OUR EXPECTATIONS

A. As reported to us by O.P.I. we were to receive Coal Flat Tax revenues amounting to about one-half of the amount we received during the current year under Coal Gross Proceeds.

B. We found the problem not to be related to a decrease in production but to the new law providing for collection of the Coal Flat Tax at the county level with no provision for redistribution beyond the county.

C. The results of non-redistribution of coal flat tax revenue left local taxing jurisdictions in three counties Richland (-$111,739.), Big Horn (-$511,151.), and Musselshell (-$7,502.) with shortfalls in revenue, while Rosebud County (+$928,267.) received a windfall (surplus) above the amount needed to replace their coal gross proceeds tax revenues.

D. We tried during the Special Session "90" last summer to convince Governor Stevens that our problem, although small compared to the stripper well problem, should be included in the session with no luck. Representative Steppler drafted an amendment to H.B. 28 similar to our new bill but we backed off with the assurance of cooperation among the coal counties working towards a possible solution prior to this session.

EXHIBIT 5
DATE 3-6-91
HB 868

E. We have meet with the coal counties and their officials several times prior to this regular session. Our bill carried by Representative Steppler reflects the concerns voiced in discussions with coal producing counties.

F. We feel we have made every effort to satisfy the needs of all coal producing counties with our bill and understand any reservations Rosebud County might have in the redistribution of the $928,267. windfall.

G. Our bill as drafted would do the following:

1. Direct the Department of Revenue to establish Unit Values for each mine and the local taxing jurisdiction in which they are located. Unit Value being (base year production tons X price) divided by (taxes paid through gross proceeds) similar to unit value for oil and gas.

2. Direct the Department of Revenue to determine revenue requirements based on production and unit value to meet the needs of the local taxing jurisdiction.

3. The Flat Tax would be collected by the county treasurer and distributed until the required amounts for the local tax jurisdictions were met, then any revenue above this amount would be sent to the state.

4. The State would redistribute the revenue and any interest earned based on the amount required to meet the needs determined by unit value and production for the local tax jurisdiction .

5. Any amount remaining after unit value and production requirements of all local tax jurisdictions are met would be returned to the county of origin for redistribution therein.

6. New mines would not be included in the unit value redistribution system.

NEED FOR CHANGE

A. The effects on Savage School are significant as our tax base in the high school dropped from $2,744,719. to $1,600,154. and our tax base in the elementary school dropped from $2,324,346. to $1,250,390. This loss of ta base coupled with the short fall of $58,744.11 in replacement coal tax revenues added a total of 42.13 mills to our district tax payers.

B. The fairness of the conversion to Flat Tax from Gross Proceeds is contingent upon a redistribution of taxes collected to replace revenues received from Gross Proceed taxes prior to the change. The Coal Flat Tax needs a unit value system similar to oil and gas.

C. The bill will only effect the four counties now producing coal, but it doe have a major effect on the local tax jurisdictions in three of the four counties.

EXHIBIT 6
DATE 3-6-91
HB 868

Amendments to House Bill No. 868
First Reading Copy

Requested by Rep. Steppler
For the Committee on Taxation

Prepared by Lee Heiman
March 6, 1991

Preceding Year

1. Page 3, line 13.
Following: "(5)"
Insert: "(a)"
Following: "in"
Insert: "this subsection (5) and"

2. Page 3, line 17.
Strike: "(a)"
Insert: "(i)"

3. Page 3, line 19.
Following: "same"
Strike: "manner"
Insert: "proportion"

4. Page 3, line 20.
Strike: "fiscal"
Insert: "the preceding"

5. Page 3, line 21.
Strike: "1990"

6. Page 3, line 22.
Strike: "(b)"
Insert: "(ii)"

7. Page 3, line 25.
Strike: "manner"
Insert: "proportion"

8. Page 4, line 2.
Strike: "1990"
Insert: "preceding"
Strike: "fiscal"

9. Page 4.
Following: line 3
Insert: "(b)(i) The mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high school equalization.

(ii) The distribution may no include mills levied for state school equalization aid pursuant to 20-9-360."

EXHIBIT 7
DATE 3-6-91
HB 868

COUNTY OF RICHLAND

Office Of
COUNTY COMMISSIONERS
SIDNEY, MONTANA

GLORIA PALADICHUK, CHAIRMAN
DWIGHT E. THIESSEN, VICE-CHAIRMAN
WARREN E. JOHNSON, MEMBER

ELMINA J. COOK, CLERK

March 4, 1991

House Taxation Committee
State of Montana

Dear Committee members:

We would like to go on record in support of H. B. 0568 sponsored by Representative Don Steppler. This bill would create a system to redistribute the coal flat tax revenues. The result of this bill would be the bringing of revenues from coal back in line with those received prior to the change to the flat tax.

Richland County and Savage Public Schools are both interested in this change. As an example the tax base in the Savage High School dropped from $2,744,719 to $1,600,154. The loss of tax base coupled with the short fall in replacement coal tax revenues added a total of 42.13 mills to the Savage School District tax payers.

Thank you for your considerations in regards to this matter.

Sincerely,

Gloria Paladichuk

Gloria Paladichuk, Chairman

Dwight E. Thiessen

Dwight E. Thiessen

Warren E. Johnson

Warren E. Johnson

det

EXHIBIT 8
DATE 3-6-91
HB 868

Amendments to House Bill No. 868
First Reading Copy

Requested by Rep. Steppler
For the Committee on Taxation

Prepared by Jeff Martin
March 5, 1991

1. Page 1, line 25.
Following: "coal"
Insert: "for each mine"

2. Page 2, line 1.
Following: the second "for"
Insert: "each mine in"

3. Page 5, lines 8 through 10.
Strike: "excess" on line 8 through "15-23-703(6)(a)
Insert: "coal gross proceeds redistribution account established in [section 4]"

4. Page 5, line 15.
Following: "collected"
Insert: "by each county"

5. Page 5, line 16.
Following: "15-23-703(4)"
Insert: "for that county"

6. Page 5, line 18.
Following: "difference"
Insert: "from the state special revenue account established in [section 4]"

7. Page 5, line 20.
Strike: "Any"
Insert: "If the"
Strike: "by which the total amount"

8. Page 6, line 2.
Strike: "amount"
Insert: "amounts of each taxing unit"

9. Page 6, line lines 2 and 3.
Strike: "distribution" on line 2 through "county" on line 3
Insert: "shortage amounts of all taxing units"

10. Page 6, line 4.
Following: the first "percentage"
Insert: "for each taxing unit"
Following: the second "percentage"
Insert: "for each taxing unit"

11. Page 6, line 11

Ex. 8
3-6-91
HB 868

Following: "amount"
Insert: "each taxing unit in"

12. Page 6, line 14.
Strike: "subsections (2) and (3)"
Insert: "subsection (3)(b)"

13. Page 6.
Following: line 15
Insert: "NEW SECTION. **Section 4. Coal gross proceeds redistribution account.** (1) There is within the state special revenue fund a coal gross proceeds redistribution account.

(2) All money received from county treasurers as provided in 15-23-703(6)(a) must be deposited by the department into the coal gross proceeds redistribution account for redistribution as provided in [section 3]."
Renumber: subsequent sections

14. Page 8, lines 9 and 12.
Following: "1"
Insert: ", 3,"
Strike: "3"
Insert: "4"

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Tax COMMITTEE BILL NO. HB 868

DATE 3/6 SPONSOR(S) Rep. Stapler

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
John McNeil Box 110 Savage Mt.	Savage Schools	X	
Gloria Delaski Nash	Richland Co - Comm. ss. e.w	✓	
Mark Tombire Box 284 Savage, MT	Savage Schools	✓	
Dwight Thiessen Rt. 2 Savage, MT.	Richland County Comm.	✓	
Doug Rust Rt 2 Box 89 Savage Mt.	Savage Schools	✓	
Sen. Larry Tveit	~~Farmer~~	✓	
Gordon Morris	MHCA		
Rodney Swee	Hardin Schools	✓	
Madalyn Quinlan	OPI (technical)		
Jim Mockler	MT Coal Council		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 21, 1991, at 9:05 a.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (D)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON HB 904

Presentation and Opening Statement by Sponsor:

REP. KASTEN, House District 28, Brockway, said HB 904 would allow social security to not be counted in figuring the elderly

Vote: Motion to amend HB 793 carried unanimously.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 793 DO PASS AS AMENDED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 868

Motion: REP. STANG MOVED HB 868 DO PASS.

Motion: REP. SCHYE moved to amend HB 868. **EXHIBIT 27**

Discussion:

Madalyn Quinlan said that they were technical amendments to make sure that the intent of the bill is carried out. There is no fiscal impact on the state.

Vote: Motion to amend HB 868 carried unanimously.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 868 DO PASS AS AMENDED. Motion carried 18 to 3 with **REPS. McCAFFREE, RANEY,** and **WANZENRIED** voting no.

ADJOURNMENT

Adjournment: 12:20 p.m.

Dan Harrington
DAN HARRINGTON, Chair

Lois O'Connor
LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/21/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		

all here.

HOUSE STANDING COMMITTEE REPORT

March 21, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 868 (first reading copy -- white) do pass as amended .

Signed: _____
Dan Harrington, Chairman

And, that such amendments read:

1. Page 1, line 25.
Following: "coal"
Insert: "for each mine"

2. Page 2, line 1.
Following: the second "for"
Insert: "each mine in"

3. Page 5, lines 8 through 10.
Strike: "excess" on line 8 through "15-23-703(6)(a)
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Following: "collected"
Insert: "by each county"

5. Page 5, line 16.
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Strike: "by which the total amount"

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Following: the second "percentage"
Insert: "for each taxing unit"

11. Page 6, line 11.
Following: "amount"
Insert: "each taxing unit in"

12. Page 6, line 14.
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Insert: "subsection (3)(b)"

13. Page 6.
Following: line 15
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(2) All money received from county treasurers as provided in 15-23-703(6)(a) must be deposited by the department into the coal gross proceeds redistribution account for redistribution as provided in [section 3]."
Renumber: subsequent sections

14. Page 8, lines 9 and 12.
Following: "1"
Insert: ", 3,"
Strike: "3"
Insert: "4"

EXHIBIT 27
DATE 3-21-91
HB 868

Amendments to House Bill No. 868
First Reading Copy

Requested by Rep. Steppler
For the Committee on Taxation

Prepared by Jeff Martin
March 5, 1991

1. Page 1, line 25.
Following: "coal"
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Insert: "shortage amounts of all taxing units"

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Following: the second "percentage"
Insert: "for each taxing unit"

11. Page 6, line 11.

Ex. 21
3-21-91
HB 868

Following: "amount"
Insert: "each taxing unit in"

12. Page 6, line 14.
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Following: line 15
Insert: "NEW SECTION. **Section 4. Coal gross proceeds redistribution account.** (1) There is within the state special revenue fund a coal gross proceeds redistribution account.

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CHAIRMAN--MIKE HALLIGAN
NORMAL SCHEDULE==> SITE: RM 413/415 DAYS: M,T,W,T,F TIME: 8:00 A.M.

SECRETARY-JILL ROHYANS

--BILL NO---	REFER DATE---	HEARING DATE---	CONSIDERATION DATES----------	COMMITTEE ACTION----------	REREFERRED TO COMM----	DATE OUT-
HB0809	4/05	4/11		CONCUR AS AMENDED		4/16
PETERSON, MARY LOU			INCREASE FIRE INSURANCE PREMIUM TAX TO FUND FIRE MARSHAL ACTIVITIES			
HB0822	4/04	4/08		TABLED		
KADAS, MIKE			LOCAL REPEAL OR REINSTATEMENT OF TAX FREEZE			
HB0832	4/04	4/06		CONCUR AS AMENDED		4/08
ELLISON, ORVAL			REALLOCATION OF GROSS PROCEEDS AND METAL MINES LICENSE TAXES			
HB0856	4/04	4/05		CONCUR AS AMENDED		4/05
FOSTER, MIKE			REVISE TELEVISION DISTRICT EXEMPTIONS			
HB0868	4/04	4/06		CONCUR AS AMENDED		4/10
STEPPLER, DON			GENERALLY REVISE DISTRIBUTION OF COAL GROSS PROCEEDS TAXES			
HB0869	4/04	4/09		CONCUR AS AMENDED		4/13
SIMPKINS, RICHARD			CLASSIFY SOD FARMS & NURSERIES AS AGRICULTURAL LAND FOR PROPERTY TAXATION			
HB0877	3/20	3/28		CONCUR		3/28
REAM, BOB			EXTEND ECONOMIC DEVELOPMENT LEVY			
HB0883	3/20	3/28		CONCUR		4/04
DEBRUYCKER, ROGER			REVISE TAX LIEN ON REAL PROPERTY FOR TAXES OWED ON PERSONAL PROPERTY			
HB0894	4/04	4/05		CONCUR AS AMENDED		4/05
KIMBERLEY, BERV			TAX CREDIT FOR CONTRIBUTION TO UNIVERSITY SYSTEM FOUNDATION			
HB0901	3/22	4/01		CONCUR AS AMENDED		4/05
BARDANOUVE, FRANCIS			GENERALLY REVISING MONTANA CAPITOL COMPANY ACT			
HB0904	4/04	4/11		CONCUR		4/12
KASTEN, BETTY LOU			EXCLUDING CERTAIN SOCIAL SECURITY INCOME FROM INCOME FOR ELDERLY TAX RELIEF			

MINUTES

MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on April 6, 1991, at 9:00 a.m.

ROLL CALL

Members Present:
Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused:

Robert Brown (R)

Staff Present: Jeff Martin (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON HOUSE BILL 801

Presentation and Opening Statement by Sponsor:

Representative Menahan, District 67, said the bill defines polluted property for purposes of taxation and provides that unpaid taxes on Class 21 property are a lien on all other property owned by the owner of the Class 21 property. The bill applies primarily to the 6000 acres of EPA superfund sites in Butte, Anaconda, and Bozeman. Businesses who want to come into the area cannot get loans on any of the land in the area because they then become the primary responsible party. This is not punitive legislation and the cost is only about $20,000. The tax base in Deer Lodge County has gone from $20,000 per mill to a little less than $8000 per mill.

HEARING ON HOUSE BILL 868

Presentation and Opening Statement by Sponsor:

Representative Steppler, District 21, said this is a fairness issue. The impression given by the proponents of the flat tax in the 1989 session was that the flat tax would be revenue neutral. Using the unit value for redistribution on oil and gas has worked out very well, however, that has not been the case with coal. During the redistribution process there were three counties that lost money, Richland, Bighorn, and Musselshell. All that money went to Rosebud County. Within the three counties that lost money were school districts that lost significant amounts of money. Amendments have been added to the bill which would ensure that the state does not have to pick up any costs if there were a loss of production in any coal mine in any district. If there is a loss of production in any one jurisdiction, that loss would not be shared with other entities. The same is true with excess amounts. Once all taxes are taken care of, excess money would be returned to the county of origin to be distributed between county governments and school districts that have that coal mine in their jurisdiction. An amendment was added on the House floor that addresses the issue of protested taxes.

Proponents' Testimony:

John McNeil, Superintendent, Savage Schools, presented his testimony in support of the bill (Exhibit #5).

Dwight Theissen, Richland County Commissioner, reviewed the cuts suffered by the Savage School system and urged the committee to support the bill.

Jim Steffen, Savage School Parent, said he is a small farmer from the Savage area. His children have all attended the Savage Schools and he has seen the quality of education eroded significantly due to the adverse effects of the flat tax on the county. He urged the committee to support the bill and the affected agencies in the three counties.

Harlan Conradson, Savage, said the cuts in home economics and industrial arts, counseling and other staff positions, have left the Savage schools ravaged. The quality of the school system has gone "down the tube" he said.

Don Price, a semi-retired resident of Savage, said he has supported the school system all his life, through his children, grandchildren, and now his great-grandchildren and nieces and nephews. He drives the school bus and is terribly concerned that these kids get a good education which is becoming very difficult with the cuts that have had to be made. The community has been

very supportive of the schools and just voted again to increase their taxes for the schools. But the impact is very great and help is desperately needed to restore the quality to the educational system in Savage.

Sharon Harlan, Bighorn County Assessor, expressed support for the bill.

Rod Svee, Superintendent of Schools, Hardin, expressed support for the bill.

Gordon Morris, expressed support on behalf of the County Commissioners from Musselshell and Rosebud Counties.

Jim Mockler, Montana Coal Council, expressed support for the bill.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Senator Gage said he tried to get the representatives of the coal industry to go on the unit value during the special session and they were not interested in doing it at that time. He tried to explain that there were problems in this area but they chose not to support a change and decided to live with it and see what would happen. He submitted a written statement to the committee (Exhibit #6).

Closing by Sponsor:

Representative Steppler closed saying the bill is a compromise which has been worked out by the taxing units involved. It sets the unit value for coal for redistribution to the taxing units in a fair and uniform manner. He stressed again that this is a fairness issue and must be addressed in this session.

ADJOURNMENT

Adjournment At: 11:45 a.m.

SENATOR MIKE HALLIGAN, Chairman

JILL D. ROHYANS, Secretary

MH/jdr

TA040691.SM1

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1/16/91

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN			X
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

BOARD OF EDUCATION
CLIFFORD BERGSTEDT, Chairman
HARLAN CONRADSEN, Vice-Chairman
GARY DARDIS, Trustee
DOUG PUST, Trustee
MARK TOMBRE, Trustee

SAVAGE PUBLIC SCHOOLS

Elementary District No. 7 & H.S. District No. 2
Richland County
Savage, Montana 59262
776-2317

DATE 2/14/91
BILL NO. HB 28

JOHN J. McNEIL
Superintendent
DARREL STOLL
H.S. Principal
JOHN PFEIFER
El. Principal
MILDRED SHIELDS
Clerk

The Honorable Gene Thayer
Senate Chambers
State Capitol
Helena, MT 59620

Dear Senator Thayer,

We are requesting your assistance in correcting a problem we feel exists in the Coal Flat Tax. Representative Steppler is sponsoring a bill to re-distribute revenues from the Coal Flat Tax based on a Unit Value system. At present there exists no re-distribution of revenue from the Coal Flat Tax, a key ingredient in the conversion from Gross Proceeds Tax to a Flat Tax.

The change from Gross Proceeds Tax to Flat Tax occurred during the Special Session Summer 89. Taxes on oil-gas, and coal were to be based on a percent times production rather than local and state mill levies levied against gross proceeds. The amount of the percent was determined by the revenue needed to replace the gross proceeds revenue requirements of the local taxing jurisdiction the year prior to the conversion. The law as added to H.B. 28 used a unit value for oil and gas producers which redistributed revenue to local taxing jurisdictions to replace the gross proceeds revenue. It was our understanding the same was to occur with coal, but the coal portion of the law contained no unit value system and stopped redistribution with collection of the Flat Tax at each county treasurers office.

The results of the Flat Tax collected at each county treasurers office during 90-91 were shortfalls in Richland (-$111,737), BigHorn (-$511,155), and Musselshell (-$7502), while Rosebud County (+$928,267) received a windfall above the amount needed to replace the gross proceeds revenue. The effects on Savage School District tax payers was an additional 42.13 mills to replace the $58,744.11 we lost in gross proceeds revenue.

Representative Steppler's bill would establish a Unit Value system similar to that of gas and oil with one exception. Once gross proceed replacement levels were reached in each of the coal producing counties, the county generating the redistributed revenue would have any remaining amount returned to the county for redistribution within that county. Had the bill been in place this year all four counties would have received 100% of their gross proceeds replacement revenue. Rosebud County would have received an additional $297,875. over 100% gross proceeds replacement to redistribute to local tax jurisdictions in their county.

We hope you can see the fairness of Unit Value redistribution being applied to the Coal Flat Tax. If you have any questions or concerns with this proposed legislation please contact Representative Steppler or John McNeil Supt. of Savage Schools.

Thank you for your time in considering this issue. We have also included three documents "The Effects of the Coal Flat Tax on Savage Schools", " A Historical Perspective of the Coal Flat Tax by Savage School", and "Spreadsheet from Special Session 90" for your further information.

Yours Truly,

John J. McNeil

BOARD OF EDUCATION
CLIFFORD BERGSTEDT, Chairman
HARLAN CONRADSEN, Vice-Chairman
GARY DARDIS, Trustee
DOUG PUST, Trustee
MARK TOMBRE, Trustee

SAVAGE PUBLIC SCHOOLS
Elementary District No. 7 & H.S. District No. 2
Richland County
Savage, Montana 59262
776-2317

JOHN J. McNEIL
Superintendent
DARREL STOLL
H.S. Principal
JOHN PFEIFER
El. Principal
MILDRED SHIELDS
Clerk

SAVAGE SCHOOL FLAT TAX ON COAL

DISTRICT #2 SAVAGE HIGH SCHOOL

	89-90	90-91
TAXABLE VALUE OF THE DISTRICT	$2.744,719.	$1,600,154.

FUNDS	COAL REVENUE 89-90	COAL REVENUE 90-91	LOSS	MILLS TO REPLACE
GENERAL	39,952.00	23,350.00	16,602.00	10.38 MILLS
TRANSPORTATION	4,115.01	81.80	4,034.21	2.52 MILLS
DEBT SERVICE	7,276.00	144.60	7,131.40	4.46 MILLS
TOTALS			27,767.61	17.36 MILLS

DISTRICT #7J SAVAGE ELEMENTARY SCHOOL

	89-90	90-91
TAXABLE VALUE OF THE DISTRICT	$2,324,346.	$1,250,390.

FUNDS	COAL REVENUE 89-90	COAL REVENUE 90-91	LOSS	MILLS TO REPLACE
GENERAL	48,424.24	29,850.56	18,573.68	14.85 MILLS
TRANSPORTATION	9,694.44	202.20	9,492.24	7.59 MILLS
DEBT SERVICE	2,972.58	62.00	2,910.58	2.33 MILLS
TOTALS			30,976.50	24.77 MILLS

SAVAGE SCHOOLS LOST A COMBINED TOTAL OF $58,744.11 WITH A REPLACEMENT COST OF 42.13 MILLS FROM THE 89-90 FISCAL YR. TO THE 90-91 FISCAL YR..

A HISTORICAL PERSPECTIVE OF THE COAL FLAT TAX BY SAVAGE SCHOOL

SUMMER 89

GROSS PROCEEDS TO FLAT TAX AS WE THOUGHT WE KNEW IT COMING INTO HB28 DURING THE 89 SPECIAL SESSION

A. Oil & gas, and coal would be taxed at a flat rate applied to their production.

B. The change from Gross Proceeds Tax to Flat Tax would help the industries as their rate of taxes would no longer vary depending on the needs of local taxing jurisdictions and state levy requirements.

C. The industries would be better able to predict their cost of operating because the tax rate would be the same at any location within the state.

D. The rates for the Flat Tax were established as close as possible to insure the replacement of revenues received by the local taxing jurisdiction from the old Gross Proceeds Tax the year prior to the change.

E. Revenues received by the local taxing jurisdiction would be based on production and revenues received under Gross Proceeds i.e. increases in production would result in corresponding increases in revenue for local taxing jurisdictions, decreases in production would result in correspondin decreases in revenue for the local taxing jurisdiction.

SPRING 90

COAL FLAT TAX REVENUES PROJECTION BY THE OFFICE OF PUBLIC INSTRUCTION DO NOT MATCH OUR EXPECTATIONS

A. As reported to us by O.P.I. we were to receive Coal Flat Tax revenues amounting to about one-half of the amount we received during the current year under Coal Gross Proceeds.

B. We found the problem not to be related to a decrease in production but to the new law providing for collection of the Coal Flat Tax at the county level with no provision for redistribution beyond the county.

C. The results of non-redistribution of coal flat tax revenue left local taxing jurisdictions in three counties Richland (-$111,739.), Big Horn (-$511,151.), and Musselshell (-$7,502.) with shortfalls in revenue, while Rosebud County (+$928,267.) received a windfall (surplus) above the amount needed to replace their coal gross proceeds tax revenues.

D. We tried during the Special Session "90" last summer to convince Governo Stevens that our problem, although small compared to the stripper well problem, should be included in the session with no luck. Representative Steppler drafted an amendment to H.B. 28 similar to our new bill but we backed off with the assurance of cooperation among the coal counties working towards a possible solution prior to this session.

E. We have meet with the coal counties and their officials several times prior to this regular session. Our bill carried by Representative Steppler reflects the concerns voiced in discussions with coal producing counties.

F. We feel we have made every effort to satisfy the needs of all coal producing counties with our bill and understand any reservations Rosebud County might have in the redistribution of the $928,267. windfall.

G. Our bill as drafted would do the following:

1. Direct the Department of Revenue to establish Unit Values for each mine and the local taxing jurisdiction in which they are located. Unit Value being (base year production tons X price) divided by (taxes paid through gross proceeds) similar to unit value for oil and gas.

2. Direct the Department of Revenue to determine revenue requirements based on production and unit value to meet the needs of the local taxing jurisdiction.

3. The Flat Tax would be collected by the county treasurer and distributed until the required amounts for the local tax jurisdictions were met, then any revenue above this amount would be sent to the state.

4. The State would redistribute the revenue and any interest earned based on the amount required to meet the needs determined by unit value and production for the local tax jurisdiction .

5. Any amount remaining after unit value and production requirements of all local tax jurisdictions are met would be returned to the county of origin for redistribution therein.

6. New mines would not be included in the unit value redistribution system.

NEED FOR CHANGE

A. The effects on Savage School are significant as our tax base in the high school dropped from $2,744,719. to $1,600,154. and our tax base in the elementary school dropped from $2,324,346. to $1,250,390. This loss of t base coupled with the short fall of $58,744.11 in replacement coal tax revenues added a total of 42.13 mills to our district tax payers.

B. The fairness of the conversion to Flat Tax from Gross Proceeds is contingent upon a redistribution of taxes collected to replace revenues received from Gross Proceed taxes prior to the change. The Coal Flat Tax needs a unit value system similar to oil and gas.

C. The bill will only effect the four counties now producing coal, but it dc have a major effect on the local tax jurisdictions in three of the four counties.

Dept of Revenue "Special Session 90"

1/11/91
HB 8 & 6

BEST COPY AVAILABLE

Comparison of Allocation of Coal Flat Tax Revenues
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

Big Horn County -- Squirrel Crk Elem & Lodge Grass HS
(Decker and Spring Crk Mines)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	407,416	389,205	407,416	(18,211)	18,211
County	41.79	2,837,651	2,710,812	2,837,651	(126,839)	126,839
Schools:		0	0	0	0	0
County-wide HS	21.36	1,450,400	1,386,569	1,450,400	(64,831)	64,831
District HS	11.41	774,769	740,138	774,769	(34,631)	34,631
County-wide Elem	35.48	2,409,185	2,301,498	2,409,185	(107,687)	107,687
District Elem	0.27	18,334	17,514	18,334	(819)	819
Special Districts	0	0	0	0	0	0
Total	116.31	7,897,755	7,544,737	7,897,755	(353,018)	353,018

Same

Big Horn County -- Hardin Elem & HS
(Westmoreland Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	19,567	13,623	19,567	(5,945)	5,945
County	41.79	136,287	94,881	136,287	(41,406)	41,406
Schools:					0	0
County-wide HS	21.36	69,660	48,496	69,660	(21,164)	21,164
District HS	33.79	106,936	74,447	106,936	(32,489)	32,489
County-wide Elem	35.48	115,709	80,555	115,709	(35,154)	35,154
District Elem	22.18	72,334	50,358	72,334	(21,976)	21,976
Special Districts	0	0	0	0	0	0
Total	159.8	520,493	362,360	520,493	(158,133)	158,133

Same

Big Horn County -- Totals

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	426,983	402,827	426,983	(24,156)	24,156
County	41.79	2,973,938	2,805,693	2,973,938	(168,245)	168,245
Schools:					0	0
County-wide HS	21.36	1,520,060	1,434,066	1,520,060	(85,994)	85,994
District HS	Avg.	881,705	814,585	881,705	(67,120)	67,120
County-wide Elem	35.48	2,524,894	2,382,053	2,524,894	(142,841)	142,841
District Elem	Avg.	90,668	67,872	90,668	(22,796)	22,796
Special Districts	0	0	0	0	0	0
Total	104.63	8,418,248	7,907,097	8,418,248	(511,151)	511,151

Same

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Comparison of Allocation of Coal Flat Tax Revenues
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

Musselshell County -- Roundup Elem & HS
(PM Coal Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	416	211	416	(205)	205
County	95.36	6,620	3,356	6,620	(3,264)	3,264
Schools:					0	0
County-wide HS	30.03	2,084	1,057	2,084	(1,028)	1,028
District HS	23.47	1,629	826	1,629	(803)	803
County-wide Elem	39.09	2,713	1,375	2,713	(1,338)	1,338
District Elem	25.22	1,751	887	1,751	(863)	863
Special Districts	0	0	0	0	0	0
Total	219.19	15,214	7,712	15,214	(7,502)	7,502

Same

Richland County -- Savage Elem & HS
(Knife River Mine)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	5,678	2,753	5,678	(2,925)	2,925
County	99.66	37,531	18,195	37,531	(19,336)	19,336
Schools:					0	0
County-wide HS	35.18	23,828	11,552	23,828	(12,276)	12,276
District HS	59.21	50,353	24,411	50,353	(25,942)	25,942
County-wide Elem	38.38	36,319	17,608	36,319	(18,712)	18,712
District Elem	66.76	63,175	30,627	63,175	(32,548)	32,548
Special Districts	0	0	0	0	0	0
Total	229.19	216,884	105,145	216,884	(111,739)	111,739

Same

Rosebud County -- Colstrip Elem & HS
(Western Energy and Peabody Mines)

Taxing Unit	FY 90 Mills	Coal Gross Proceeds Rev.	Current Law Revenue	Unit Value Revenue	Change in Revenue: To Current From GP	Change in Revenue: To Unit Value From Current
University	6	304,869	365,121	304,869	60,252	(60,252)
County	7.23	367,367	439,970	367,367	72,603	(72,603)
Schools:						
County-wide HS	18.94	962,370	1,152,564	962,370	190,194	(190,194)
District HS	9.01	457,812	548,289	457,812	90,478	(90,478)
County-wide Elem	32.05	1,628,509	1,950,353	1,628,509	321,843	(321,843)
District Elem	14.87	755,567	904,891	755,567	149,323	(149,323)
Spec. (NA to Peabody)	6	241,023	284,598	241,023	43,574	(43,574)
Total	94.10	4,717,518	5,645,785	4,717,518	928,267	(928,267)

Some + ..

+297,875. after re-distribution

Comparison of Allocation of Coal Flat Tax Revenue
Coal Gross Proceeds v. Current Law v. Unit Value
(1988 Production/FY 1990 Revenues)

Comparison of Local Government Coal Tax Amounts
Coal Gross Proceeds v. 5% Flat Tax
(1988 Production)

County	Elem. SD	Company	Gross Proceeds Total Tax	Total Flat Tax	Difference (Flat-GP)
Big Horn	Squirrel Ck	Decker	6,822,893	6,517,920	(304,973)
		Spring Ck.	1,074,862	1,026,817	(48,045)
		Subtotal	7,897,755	7,544,737	(353,018)
	Hardin	Westmoreland	520,493	362,360	(158,133)
Musselshell	Roundup	PM Coal	15,214	7,712	(7,502)
Richland	Savage	Knife River	216,884	105,145	(111,739)
Rosebud	Colstrip	Peabody	887,470	1,182,344	294,874
		Western E	3,780,048	4,463,441	683,393
		Subtotal	4,717,518	5,645,785	928,267
Grand Total			13,367,864	13,665,739	297,875

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Amount Returned to Rosebud County after re-distribution.
∴ Rosebud County would have 100% replacement of gross proceeds + $ 297,875.

EXHIBIT NO. 5
DATE 2/6/91
BILL NO. HB 861

Senator Halligan
State Capitol
Helena, Montana 59620

Dear Represenatives:

I am requesting your assistance in passing HB 68. I feel this bill will greatly assist a lot of programs here at Savage High School.

One of these areas, which I teach in, is Industrial Arts. I feel that this program is a backbone structure to future economic programs in Montana. If this bill is voted down, it may result in the possible elimination of both Home Economics and Industrial Arts programs here at Savage High School.

Thank you very much for your consideration on this matter.

Sincerely,

Norman Krause

Norman Krause

SENATE 1 ...
EXHIBIT NO. 5
DATE 4/11/91
BILL NO. HB 868

COAL GROSS PROCEEDS
HB 868
CY 1990 (per sev tax returns)

05-Mar-91

COMPANY	COUNTY	TONS SOLD	CONTRACT SALES PRICE	TAX RATE	TAX PAID	UNIT VALUE SECTION 1 (1)	UNIT VALUE DISTRIBUTION AMOUNT SECTION 2 (4)	SCHOOL DISTRICT #	EXCESS/(LESS) TAX PAID TO UNIT VALUE SECTION 2 (6)
					(A)	(B)	(C) COL (B) X TONS	(D)	(E) COL (A) - (C)
Decker Coal Company	Big Horn	9,277,082	103,275,693	5.0%	5,163,785	0.6308	5,851,983	1	($688,199)
Spring Creek Coal Co	Big Horn	7,133,285	31,895,595	5.0%	1,594,780	0.2285	1,629,956	1	($35,176)
Westmoreland Resources	Big Horn	1,787,506	9,744,225	5.0%	487,211	0.3940	704,277	17H	($217,066)
County Total		18,197,873	144,915,513		7,245,776		8,186,216		(940,441)
P M Coal Company	Musselshell	15,769	275,859	5.0%	6,896	0.9874	15,570	55	($8,674)
Knife River Coal Mining	Richland	234,579	2,200,448	5.0%	110,022	0.9646	226,275	7	($116,253)
									($1,065,367)
Peabody Coal Company	Rosebud	3,602,851	26,883,560	5.0%	1,344,178	0.2467	888,823	19	$455,355
Western Energy	Rosebud	12,968,382	88,414,692	5.0%	4,420,735	0.2342	3,037,195	19A	$1,383,540
County Total		16,571,233	115,298,252		5,764,913		3,926,018		1,838,894
Totals		35,019,454	262,690,072		13,127,607		12,354,080		

AMOUNT MAILED TO DEPARTMENT	$1,838,894
TOTAL UNDISTRIBUTED	($1,065,367)
DIFFERENCE TO BE PAID TO ROSEBUD COUNTY	$773,527

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SENATE TAXATION
EXHIBIT NO. 6
DATE 4/6/91
BILL NO. HB 868

HB 868

SUB-7 OF 15-23-703 WHICH DEALS WITH THE DISTRIBUTION OF GROSS PROCEEDS TAX ON COAL FROM MINES WHICH BEGIN PRODUCTION AFTER 12-31-88, PROVIDES THAT THIS TAX WILL NOT BE DISTRIBUTED TO THE STATEWIDE EQUALIZATION MILLS OF 2C-9-360 & THE 1990 MILLS FOR COUNTY EQUALIZATION WILL BE USED. THIS IS NOT THE SITUATION WITH REGARD TO NEW OIL & GAS NET PROCEEDS TAXES & IT IS MY OPINION THAT NEW COAL MINE TAX DISTRIBUTIONS SHOULD INCLUDE THE STATEWIDE & COUNTY EQUALIZATION MILLS

X

UNDER 15-23-703-6(a) SHOULD WE ADD LANGUAGE THAT SAYS IF THEY HAVE BEEN NOTIFIED THAT THERE ARE ANY SHORTAGES? WHY REQUIRE THE FUNDS TO COME TO THE STATE WHEN THERE ARE NO SHORTAGES & THE STATE THEN JUST TURNS AROUND & SENDS THE MONEY BACK. THE STATE WILL BE HERE TO DETERMINE IF THERE ARE GOING TO BE ANY SHORTAGES VERY SOON AFTER THEY RECEIVE THE ANNUAL REPORTS ON MARCH 31.

X

IN THE OIL & GAS BILL WE PROVIDED THAT UNIT VALUES WOULD BE ADJUSTED BY ANY AUDIT CHANGES. SHOULD WE DO THIS WITH COAL?

DEL GAGE

OFFICE OF PUBLIC INSTRUCTION

Nancy Keenan
Superintendent

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

March 28, 1991

Senator Del Gage
Seat #10
Montana State Senate

Dear Senator Gage:

Following our conversation of this morning about legislation affecting the distribution of the local government severance tax and the coal gross proceeds taxes, I talked to Don Hoffman at the Department of Revenue. He said that the department is still auditing calendar 1988 coal production and that it would be a good idea to provide for adjustments in unit values to reflect any audit changes. The statute of limitations on these audits is five years, so no changes will be made after the five year period expires, but until then the department should have the ability to adjust unit values upon the completion of an audit.

I also talked to Bruce McGinnis of the legal staff at the Department of Revenue. He said that the amendments that he drafted for Senate Bill 373 contain a coordination clause with House Bill 793 (Hanson) using her language for distribution of the flat taxes. I will make sure that similar coordinating language is drafted for Senate Bill 466.

Sincerely,

Madalyn Quinlan

Madalyn Quinlan

Office of Legislative Fiscal Analyst
General Fund Summary
1993 Biennium (In Millions)

02/01/91 05:37 PM

Ending Fund Balance (6/30/93)		$98.524 *
Revenue Adjustments		
Medicaid Reimbursements (MDC)		(2.060)
Medicaid Adjustments		(10.560)
Supplemental Adjustments		(5.840)**
HB 2 Subcommittee Action		(15.715)
Current Level	(3.860)	
Budget Modifications	(11.855)	
Revenue Bills		
HB 66 Bee Inspection Fees		0.014
SB 26 In-State Investment		0.525
SB 83 DFWP Interest		(0.060)
SB 119 Cigarette Tax		0.000
Pay Plan		0.000
Miscellaneous Appropriations		0.000
Foundation Program (Over 0/0)		0.000
Ending Fund Balance		**$64.828**

* Includes $4.5 million feed bill.

** In addition to amount included in HB 3, as introduced.

This summary reflects subcommittee action on HB 2 and supplementals through January 31, 1991. The fiscal impact of tax bills and miscellaneous appropriation bills is included in this summary after committee action in the first house is completed.

DATE 2/16

COMMITTEE ON Senate Taxation

HB 801 699 832 753 787 793 868 801

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Oppose
Dwight Thoson	Richland County	868	X	
James Steffes	Savage School Board	868	X	
Carol L. Ferguson	Hard. Rock mining Impact Board	832		
Harlan D. Carlson	Richland		X	
Ward Hanaban	Atlantic Richfield	801		AMEND X
John McNeil	Savage Schools	868	X	
Don Truck	Savage Community Taxpayers	868	X	
Gordon Morris	MAC - Richland/Musselshell	868/793	X	
Glenn Palachuk	Richland Co Comm.	868/793	X	
Sharon Warden	Big Horn County	793/868	X	
Jim Elliott	HD 51	832	✓	
Jim Mockler	MT Coal Council	793 868	✓	

(Please leave prepared statement with Secretary)

MINUTES

MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on April 9, 1991, at 7:00 a.m.

ROLL CALL

Members Present:
Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Robert Brown (R)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Fred Van Valkenburg (D)

Members Excused:
Bill Yellowtail (D)

Staff Present: Jeff Martin (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

EXECUTIVE ACTION ON HOUSE BILL 793

Recommendation and Vote:

Senator Gage moved HB 793 Be Concurred In.

The motion CARRIED unanimously.

HEARING ON HOUSE BILL 452

Presentation and Opening Statement by Sponsor:

Rep. Larson, District 65, sponsor, presented the bill as per the attached testimony (Exhibit #1).

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

There were no questions.

Closing by Sponsor:

Representative Rice closed.

EXECUTIVE ACTION ON HOUSE BILL 914

Amendments, Discussion, and Votes:

Senator Gage moved the adoption of the DOR amendments with the addition of the Yellowtail amendments as per the attached standing committee report.

The motion CARRIED.

Recommendation and Vote:

Senator Doherty moved HB 914 Be Concurred In As Amended.

The motion CARRIED.

EXECUTIVE ACTION ON HOUSE BILL 868

Amendments, Discussion, and Votes:

Senator Gage moved to amend the bill to apply 40 mills to the gross proceeds of new coal mines begun after December 31, 1988 with distribution based on the previous year's millages.

The motion CARRIED.

Recommendation and Vote:

Senator Gage moved HB 868 Be Concurred In As Amended.

SENATE STANDING COMMITTEE REPORT

April 9, 1991

MR. PRESIDENT:
We, your committee on Taxation having had under consideration House Bill No. 868 (third reading copy -- blue), respectfully report that House Bill No. 868 be amended and as so amended be concurred in:

1. Page 4, lines 17 and 18.
Following: "1988"
Insert: ","
Strike: ":" on line 17 through "counties" on line 18

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2. Page 4, line 19.
Strike: "and"
Insert: ","
Following: "county"
Insert: ", and school district"

3. Page 4, line 21 through page 5, line 6.
Strike: "in the taxing" on page 4, line 21 through "district" on page 5, line 6

Signed: _____
Mike Halligan, Chairman

LB 4/9/91
Amd. Coord.

SR 4/10 11:30
Sec. of Senate

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1/9/91

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN	X		
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL			X

Each day attach to minutes.

HOUSE BILL NO. 868

INTRODUCED BY STEPPLER

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE DISTRIBUTION OF COAL GROSS PROCEEDS; REQUIRING THE DEPARTMENT OF REVENUE TO CALCULATE UNIT VALUES FOR COAL PRODUCTION BASED ON 1988 PRODUCTION; EXCLUDING COAL MINES THAT BEGAN PRODUCTION AFTER DECEMBER 31, 1988, FROM THE UNIT VALUE CALCULATION; REQUIRING COUNTY TREASURERS TO DISTRIBUTE COAL GROSS PROCEEDS BASED ON UNIT VALUE; PROVIDING A SEPARATE DISTRIBUTION OF COAL GROSS PROCEEDS TAXES FOR COAL MINES THAT BEGAN PRODUCTION AFTER DECEMBER 31, 1988; REQUIRING COUNTY TREASURERS TO SEND EXCESS REVENUE TO THE DEPARTMENT OF REVENUE; REQUIRING THE DEPARTMENT OF REVENUE TO REDISTRIBUTE EXCESS REVENUE TO THE COUNTIES; PROVIDING A STATUTORY APPROPRIATION; AMENDING SECTIONS 15-23-703 AND 17-7-502; AND PROVIDING AN EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Department to calculate unit value.** (1) Except as provided in subsection (2), for the purposes of the distribution of coal gross proceeds taxes collected under this part, the department shall determine the unit value of coal FOR EACH MINE in each taxing unit. The unit value for coal for EACH MINE IN each taxing unit is the quotient obtained by dividing the gross proceeds taxes calculated on coal produced in that taxing unit in calendar year 1988 by the number of tons of coal extracted, treated, and sold in that taxing unit during 1988.

(2) The unit value calculation does not apply to coal mines that began production after December 31, 1988.

Section 2. Section 15-23-703, MCA, is amended to read:

"**15-23-703. Taxation of gross proceeds -- taxable value for bonding and guaranteed tax base aid to schools.** (1) The county assessor shall compute from the reported gross proceeds from coal a tax roll that he shall transmit to the county treasurer on or before September 15 each year. The county assessor may not levy or assess any mills against the reported gross proceeds of coal but shall levy a tax of 5% against the value of the reported gross proceeds as provided in 15-23-701(1)(d). The county treasurer shall proceed to give full notice to each coal producer of the taxes due and to collect the taxes as provided in 15-16-101.

(2) For bonding, county classification, and all nontax purposes, the taxable value of the gross proceeds of coal is 45% of the contract sales price as defined in 15-35-102(5).

(3) The taxable value of gross proceeds for the purpose of computing guaranteed tax base aid for schools is the amount of tax received by a district in the previous year

divided by the number of mills levied by the district in the previous year, multiplied by 1,000. This amount must be added to the district, county, and statewide taxable value when computing guaranteed tax base aid under 20-9-368.

(4) Except as provided in subsection (7), the county treasurer shall calculate and distribute to the state, county, and eligible school districts in the county the amount of the coal gross proceeds tax, determined by multiplying the unit value calculated in [section 1] times the tons of coal extracted, treated, and sold on which the coal gross proceeds tax was owed during the preceding calendar year.

~~(4)~~(5) ~~The~~ Except as provided in subsections (6) and (7), the county treasurer shall credit ~~all taxes collected~~ the amount determined under ~~this part~~ subsection (4) and the amounts received under [section 3]:

(a) to the state and to the counties that levied mills against production in the relative proportions required by the levies for state and county purposes in the same manner as property taxes were distributed in ~~the year 1989~~ fiscal year 1990 in the taxing jurisdiction; and

(b) to school districts in the county that either levied mills against production or used nontax revenue, such as Public Law 81-874 money, in lieu of levying mills against production, in the same manner that property taxes collected

or property taxes that would have been collected would have been distributed in ~~1989~~ the 1990 school fiscal year in the school district.

(6) (a) If the total tax liability in a taxing jurisdiction exceeds the amount determined in subsection (4), the county treasurer shall, immediately following the distribution from taxes paid on May 31 of each year, send the excess revenue, EXCLUDING ANY PROTESTED COAL GROSS PROCEEDS TAX REVENUES, to the department for redistribution as provided in [section 3].

(b) If the total tax liability in a taxing jurisdiction is less than the amount determined in subsection (4), the taxing jurisdiction is entitled to a redistribution as provided by [section 3].

(7) The county treasurer shall credit all taxes collected under this part from coal mines that began production after December 31, 1988,~~:~~

~~(a)--to-the-state-and-to-the-counties~~ in the relative proportions required by the levies for state ~~and~~, county, AND SCHOOL DISTRICT purposes in the same manner as property taxes were distributed in the previous fiscal year ~~in-the taxing-jurisdiction;-except-that:~~

~~(i)--no--distribution--may--be---made---to---the---state equalization-aid-levy-provided-by-20-9-360;-and~~

~~(ii)-the-mill-levies-in-effect-for-county-elementary-and~~

~~high-school-equalization-in-fiscal-year-1990-must-be-used-in computing--the--distribution--to--county-elementary-and-high school-equalization;--and~~

~~(b)--to-school-districts--in--the--county--in--the--same manner--that-property-taxes-were-distributed-in-the-previous school-fiscal-year-in-the-school-district.~~"

NEW SECTION. **Section 3.** Department to determine redistribution of coal gross proceeds to taxing jurisdictions. (1) The ~~excess--revenue--received--by--the department---from---county---treasurers---as---provided---in 15-23-703(6)(a)~~ COAL GROSS PROCEEDS REDISTRIBUTION ACCOUNT ESTABLISHED IN [SECTION 4] is statutorily appropriated, as provided in 17-7-502, for allocation to the county for redistribution as provided in subsections (2) and (3).

(2) Each year the department shall determine the amount of tax collected under this part from within each taxing unit in the county. If the amount collected BY EACH COUNTY is less than the amount determined under 15-23-703(4) FOR THAT COUNTY, the department shall, on or before June 30 of each year, send the amount of the difference FROM THE STATE SPECIAL REVENUE ACCOUNT ESTABLISHED IN [SECTION 4] to the county treasurer for redistribution as provided in 15-23-703(5).

(3) ~~Any~~ IF THE amount ~~by--which--the--total--amount~~ received by the department for redistribution is less than

or more than the redistribution amount determined in subsection (2), the department shall calculate and redistribute the shortage or excess amount in the following manner:

(a) If a county does not receive the entire amount to which it is entitled under subsection (2), the shortage ~~amount~~ AMOUNTS OF EACH TAXING UNIT must be divided by the total ~~distribution--for--the-county~~ SHORTAGE AMOUNTS OF ALL TAXING UNITS determined under 15-23-703(4) to obtain a shortage percentage FOR EACH TAXING UNIT. The shortage percentage FOR EACH TAXING UNIT must be multiplied by the amount that is available for redistribution to each taxing unit, and this amount must be redistributed to each respective taxing unit.

(b) If there are excess amounts after the redistribution provided for in subsection (2), the excess amounts must be redistributed to the county of origin in proportion to the amount EACH TAXING UNIT IN the county contributed for redistribution.

(4) The county treasurer shall distribute the money received under ~~subsections-(2)-and-(3)~~ SUBSECTION (3)(B) as provided in 15-23-703(5).

NEW SECTION. **SECTION 4.** COAL GROSS PROCEEDS REDISTRIBUTION ACCOUNT. (1) THERE IS WITHIN THE STATE SPECIAL REVENUE FUND A COAL GROSS PROCEEDS REDISTRIBUTION

ACCOUNT.

(2) ALL MONEY RECEIVED FROM COUNTY TREASURERS AS PROVIDED IN 15-23-703(6)(A) MUST BE DEPOSITED BY THE DEPARTMENT INTO THE COAL GROSS PROCEEDS REDISTRIBUTION ACCOUNT FOR REDISTRIBUTION AS PROVIDED IN [SECTION 3].

Section 5. Section 17-7-502, MCA, is amended to read:

"**17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111; [section 3]; 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 19-8-504; 19-9-702;

19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406; 20-8-111; 20-9-361; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504; 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205; 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103; 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613; 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws of 1985.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments. (In subsection (3), pursuant to sec. 10, Ch. 664, L. 1987, the inclusion of 39-71-2504 terminates June 30, 1991.)"

NEW SECTION. **Section 6. Codification instruction.** [Sections 1, 3, and 3 4] are intended to be codified as an integral part of Title 15, chapter 23, part 7, and the

provisions of Title 15, chapter 23, part 7, apply to [sections 1, 3, and 3 4].

NEW SECTION. **Section 7.** Effective date -- **applicability.** [This act] is effective July 1, 1991, and applies retroactively, within the meaning of 1-2-109, to the distribution and redistribution of coal gross proceeds taxes levied against coal produced after December 31, 1989.

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